

Introduced by Senator Maldonado

April 6, 2006

Senate Constitutional Amendment No. 30—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending, repealing, and adding Section 9 to Article II thereof, by amending, repealing, and adding Sections 3, 8, 10, and 12 to Article IV thereof, by amending Sections 6 and 10.5 of, by adding Section 14 to, and by amending, repealing, and adding Sections 1, 2, 3, and 8 to, Article XIII B thereof, and by amending Sections 8, 8.5, and 20 of Article XVI thereof, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

SCA 30, as introduced, Maldonado. Legislature: sessions: two-year budget.

The California Constitution requires the Legislature to convene in regular session at noon on the first Monday in December of each even-numbered year. Each session of the Legislature must adjourn sine die by operation of the Constitution at midnight on November 30 of the following even-numbered year. The California Constitution references the 2-year regular session in other provisions.

This measure would instead require the Legislature to convene in regular session at noon on the first Monday of January of each odd-numbered year, commencing in 2007. The measure would further require that each session of the Legislature adjourn sine die by operation of the Constitution at midnight on December 15 of that year. The measure would provide that no bill may be passed by either house on or after November 1 of the regular session unless the bill was vetoed by the Governor. This measure would make changes to other

provisions of the Constitution to conform to and implement those provisions.

The California Constitution requires that a budget be submitted by the Governor, and that a Budget Bill be passed by the Legislature, for each fiscal year.

This measure would require, in each odd-numbered calendar year, commencing in 2007, that the Governor submit to the Legislature a budget for the 2-year period commencing July 1, and that the Budget Bill passed by the Legislature also encompass that 2-year period. This measure would make various conforming changes, including provision for the calculation of the state school funding obligation, the state appropriations limit, and the funding of the Budget Stabilization Account on a 2-year basis.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 *Resolved by the Senate, the Assembly concurring,* That the
2 Legislature of the State of California at its 2005–06 Regular
3 Session commencing on the sixth day of December 2004,
4 two-thirds of the membership of each house concurring, hereby
5 proposes to the people of the State of California that the
6 Constitution of the State be amended as follows:

7 First—That Section 9 of Article II is amended to read:

8 SEC. 9. (a) The referendum is the power of the electors to
9 approve or reject statutes or parts of statutes except urgency
10 statutes, statutes calling elections, and statutes providing for tax
11 levies or appropriations for usual current expenses of the State.

12 (b) A referendum measure may be proposed by presenting to
13 the Secretary of State, within 90 days after the enactment date of
14 the statute, a petition certified to have been signed by electors
15 equal in number to 5 percent of the votes for all candidates for
16 Governor at the last gubernatorial election, asking that the statute
17 or part of it be submitted to the electors. In the case of a statute
18 enacted by a bill passed by the Legislature on or before the date
19 the Legislature adjourns for a joint recess to reconvene in the
20 second calendar year of the biennium of the legislative session,
21 and in the possession of the Governor after that date, the petition
22 may not be presented on or after January 1 next following the
23 enactment date unless a copy of the petition is submitted to the

1 Attorney General pursuant to subdivision (d) of Section 10 of
2 Article II before January 1.

3 (c) The Secretary of State shall then submit the measure at the
4 next general election held at least 31 days after it qualifies or at a
5 special statewide election held prior to that general election. The
6 Governor may call a special statewide election for the measure.

7 *(d) This section does not apply to any regular session of the*
8 *Legislature commencing on or after December 4, 2006. This*
9 *section shall remain in effect until December 4, 2006, and as of*
10 *that date is repealed. Section 9 of Article II, as added by the*
11 *measure that amended this section by adding this subdivision,*
12 *shall apply to regular sessions of the Legislature commencing on*
13 *or after December 4, 2006.*

14 Second—That Section 9 is added to Article II, to read:

15 SEC. 9. (a) The referendum is the power of the electors to
16 approve or reject statutes or parts of statutes except urgency
17 statutes, statutes calling elections, and statutes providing for tax
18 levies or appropriations for usual current expenses of the State.

19 (b) A referendum measure may be proposed by presenting to
20 the Secretary of State, within 90 days after the enactment date of
21 the statute, a petition certified to have been signed by electors
22 equal in number to 5 percent of the votes for all candidates for
23 Governor at the last gubernatorial election, asking that the statute
24 or part of it be submitted to the electors.

25 (c) The Secretary of State shall then submit the measure at the
26 next general election held at least 31 days after it qualifies or at a
27 special statewide election held prior to that general election. The
28 Governor may call a special statewide election for the measure.

29 Third—That Section 3 of Article IV is amended to read:

30 SEC. 3. (a) The Legislature shall convene in regular session
31 at noon on the first Monday in December of each even-numbered
32 year and each house shall immediately organize. Each session of
33 the Legislature shall adjourn sine die by operation of the
34 Constitution at midnight on November 30 of the following
35 even-numbered year.

36 (b) On extraordinary occasions the Governor by proclamation
37 may cause the Legislature to assemble in special session. When
38 so assembled it has power to legislate only on subjects specified
39 in the proclamation but may provide for expenses and other
40 matters incidental to the session.

1 (c) *This section does not apply to any regular session of the*
2 *Legislature commencing on or after December 4, 2006. This*
3 *section shall remain in effect until December 4, 2006, and as of*
4 *that date is repealed. Section 3 of Article IV, as added by the*
5 *measure that amended this section by adding this subdivision,*
6 *shall apply to regular sessions of the Legislature commencing on*
7 *or after December 4, 2006.*

8 Fourth—That Section 3 is added to Article IV, to read:

9 SEC. 3. (a) The Legislature shall convene in regular session
10 at noon on the first Monday in January of each odd-numbered
11 year and each house shall immediately organize. Each regular
12 session of the Legislature shall adjourn sine die by operation of
13 the Constitution at midnight on December 15 of that year.

14 (b) On extraordinary occasions the Governor by proclamation
15 may cause the Legislature to assemble in special session. When
16 so assembled it has power to legislate only on subjects specified
17 in the proclamation but may provide for expenses and other
18 matters incidental to the session.

19 Fifth—That Section 8 of Article IV is amended to read:

20 SEC. 8. (a) At regular sessions no bill other than the budget
21 bill may be heard or acted on by committee or either house until
22 the 31st day after the bill is introduced unless the house dispenses
23 with this requirement by rollcall vote entered in the journal, three
24 fourths of the membership concurring.

25 (b) The Legislature may make no law except by statute and
26 may enact no statute except by bill. No bill may be passed unless
27 it is read by title on 3 days in each house except that the house
28 may dispense with this requirement by rollcall vote entered in the
29 journal, two thirds of the membership concurring. No bill may be
30 passed until the bill with amendments has been printed and
31 distributed to the members. No bill may be passed unless, by
32 rollcall vote entered in the journal, a majority of the membership
33 of each house concurs.

34 (c) (1) Except as provided in paragraphs (2) and (3) of this
35 subdivision, a statute enacted at a regular session shall go into
36 effect on January 1 next following a 90-day period from the date
37 of enactment of the statute and a statute enacted at a special
38 session shall go into effect on the 91st day after adjournment of
39 the special session at which the bill was passed.

(2) A statute, other than a statute establishing or changing boundaries of any legislative, congressional, or other election district, enacted by a bill passed by the Legislature on or before the date the Legislature adjourns for a joint recess to reconvene in the second calendar year of the biennium of the legislative session, and in the possession of the Governor after that date, shall go into effect on January 1 next following the enactment date of the statute unless, before January 1, a copy of a referendum petition affecting the statute is submitted to the Attorney General pursuant to subdivision (d) of Section 10 of Article II, in which event the statute shall go into effect on the 91st day after the enactment date unless the petition has been presented to the Secretary of State pursuant to subdivision (b) of Section 9 of Article II.

(3) Statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the State, and urgency statutes shall go into effect immediately upon their enactment.

(d) Urgency statutes are those necessary for immediate preservation of the public peace, health, or safety. A statement of facts constituting the necessity shall be set forth in one section of the bill. In each house the section and the bill shall be passed separately, each by rollcall vote entered in the journal, two thirds of the membership concurring. An urgency statute may not create or abolish any office or change the salary, term, or duties of any office, or grant any franchise or special privilege, or create any vested right or interest.

(e) This section does not apply to any regular session of the Legislature commencing on or after December 4, 2006. This section shall remain in effect until December 4, 2006, and as of that date is repealed. Section 8 of Article IV, as added by the measure that amended this section by adding this subdivision, shall apply to regular sessions of the Legislature commencing on or after December 4, 2006.

Sixth—That Section 8 is added to Article IV thereof, to read:

SEC. 8. (a) At regular sessions no bill other than the budget bill may be heard or acted on by committee or either house until the 31st day after the bill is introduced unless the house dispenses with this requirement by rollcall vote entered in the journal, three-fourths of the membership concurring.

(b) The Legislature may make no law except by statute and may enact no statute except by bill. A bill may not be passed unless it is read by title on three days in each house except that the house may dispense with this requirement by rollcall vote entered in the journal, two-thirds of the membership concurring. A bill may not be passed until the bill with amendments has been printed and distributed to the members. A bill may not be passed unless, by rollcall vote entered in the journal, a majority of the membership of each house concurs.

(c) (1) Except as provided in paragraph (2), a statute enacted at a regular session shall go into effect on January 1 next following a 90-day period from the date of enactment of the statute and a statute enacted at a special session shall go into effect on the 91st day after adjournment of the special session at which the bill was passed.

(2) Statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the State, and urgency statutes shall go into effect immediately upon their enactment.

(d) Urgency statutes are those necessary for immediate preservation of the public peace, health, or safety. A statement of facts constituting the necessity shall be set forth in one section of the bill. In each house the section and the bill shall be passed separately, each by rollcall vote entered in the journal, two-thirds of the membership concurring. An urgency statute may not create or abolish any office or change the salary, term, or duties of any office, or grant any franchise or special privilege, or create any vested right or interest.

Seventh—That Section 10 of Article IV thereof is amended to read:

SEC. 10. (a) Each bill passed by the Legislature shall be presented to the Governor. It becomes a statute if it is signed by the Governor. The Governor may veto it by returning it with any objections to the house of origin, which shall enter the objections in the journal and proceed to reconsider it. If each house then passes the bill by rollcall vote entered in the journal, two-thirds of the membership concurring, it becomes a statute.

(b) (1) Any bill, other than a bill which would establish or change boundaries of any legislative, congressional, or other election district, passed by the Legislature on or before the date

1 the Legislature adjourns for a joint recess to reconvene in the
2 second calendar year of the biennium of the legislative session,
3 and in the possession of the Governor after that date, that is not
4 returned within 30 days after that date becomes a statute.

5 (2) Any bill passed by the Legislature before September 1 of
6 the second calendar year of the biennium of the legislative
7 session and in the possession of the Governor on or after
8 September 1 that is not returned on or before September 30 of
9 that year becomes a statute.

10 (3) Any other bill presented to the Governor that is not
11 returned within 12 days becomes a statute.

12 (4) If the Legislature by adjournment of a special session
13 prevents the return of a bill with the veto message, the bill
14 becomes a statute unless the Governor vetoes the bill within 12
15 days after it is presented by depositing it and the veto message in
16 the office of the Secretary of State.

17 (5) If the 12th day of the period within which the Governor is
18 required to perform an act pursuant to paragraph (3) or (4) of this
19 subdivision is a Saturday, Sunday, or holiday, the period is
20 extended to the next day that is not a Saturday, Sunday, or
21 holiday.

22 (c) Any bill introduced during the first year of the biennium of
23 the legislative session that has not been passed by the house of
24 origin by January 31 of the second calendar year of the biennium
25 may no longer be acted on by the house. No bill may be passed
26 by either house on or after September 1 of an even-numbered
27 year except statutes calling elections, statutes providing for tax
28 levies or appropriations for the usual current expenses of the
29 State, and urgency statutes, and bills passed after being vetoed by
30 the Governor.

31 (d) The Legislature may not present any bill to the Governor
32 after November 15 of the second calendar year of the biennium
33 of the legislative session.

34 (e) The Governor may reduce or eliminate one or more items
35 of appropriation while approving other portions of a bill. The
36 Governor shall append to the bill a statement of the items
37 reduced or eliminated with the reasons for the action. The
38 Governor shall transmit to the house originating the bill a copy of
39 the statement and reasons. Items reduced or eliminated shall be

1 separately reconsidered and may be passed over the Governor's
2 veto in the same manner as bills.

3 (f) (1) If, following the enactment of the budget bill for the
4 2004-05 fiscal year or any subsequent fiscal year, the Governor
5 determines that, for that fiscal year, General Fund revenues will
6 decline substantially below the estimate of General Fund
7 revenues upon which the budget bill for that fiscal year, as
8 enacted, was based, or General Fund expenditures will increase
9 substantially above that estimate of General Fund revenues, or
10 both, the Governor may issue a proclamation declaring a fiscal
11 emergency and shall thereupon cause the Legislature to assemble
12 in special session for this purpose. The proclamation shall
13 identify the nature of the fiscal emergency and shall be submitted
14 by the Governor to the Legislature, accompanied by proposed
15 legislation to address the fiscal emergency.

16 (2) If the Legislature fails to pass and send to the Governor a
17 bill or bills to address the fiscal emergency by the 45th day
18 following the issuance of the proclamation, the Legislature may
19 not act on any other bill, nor may the Legislature adjourn for a
20 joint recess, until that bill or those bills have been passed and
21 sent to the Governor.

22 (3) A bill addressing the fiscal emergency declared pursuant to
23 this section shall contain a statement to that effect.

24 (g) *This section does not apply to any regular session of the*
25 *Legislature commencing on or after December 4, 2006. This*
26 *section shall remain in effect until December 4, 2006, and as of*
27 *that date is repealed. Section 10 of Article IV, as added by the*
28 *measure that amended this section by adding this subdivision,*
29 *shall apply to regular sessions of the Legislature commencing on*
30 *or after December 4, 2006.*

31 Eighth—That Section 10 is added to Article IV thereof, to
32 read:

33 SEC. 10. (a) Each bill passed by the Legislature shall be
34 presented to the Governor. It becomes a statute if it is signed by
35 the Governor. The Governor may veto it by returning it with any
36 objections to the house of origin, which shall enter the objections
37 in the journal and proceed to reconsider it. If each house then
38 passes the bill by rollcall vote entered in the journal, two-thirds
39 of the membership concurring, it becomes a statute.

1 (b) (1) Any bill passed by the Legislature before November 1
2 of a regular session and in the possession of the Governor on or
3 after November 1 that is not returned on or before November 30
4 of that year becomes a statute.

5 (2) Any other bill presented to the Governor that is not
6 returned within 12 days becomes a statute.

7 (3) If the Legislature by adjournment of a special session
8 prevents the return of a bill with the veto message, the bill
9 becomes a statute unless the Governor vetoes the bill within 12
10 days after it is presented by depositing it and the veto message in
11 the office of the Secretary of State.

12 (4) If the 12th day of the period within which the Governor is
13 required to perform an act pursuant to paragraph (2) or (3) of this
14 subdivision is a Saturday, Sunday, or holiday, the period is
15 extended to the next day that is not a Saturday, Sunday, or
16 holiday.

17 (c) A bill may not be passed by either house on or after
18 November 1 of a regular session unless the bill has been vetoed
19 by the Governor and each house passes the bill pursuant to
20 subdivision (a).

21 (d) The Governor may reduce or eliminate one or more items
22 of appropriation while approving other portions of a bill. The
23 Governor shall append to the bill a statement of the items
24 reduced or eliminated with the reasons for the action. The
25 Governor shall transmit to the house originating the bill a copy of
26 the statement and reasons. Items reduced or eliminated shall be
27 separately reconsidered and may be passed over the Governor's
28 veto in the same manner as bills.

29 (e) (1) If, following the enactment of the budget bill for the
30 2006-07 fiscal year, or for the 2007-09 fiscal period or any
31 subsequent two-year fiscal period, the Governor determines that,
32 for that fiscal year or two-year fiscal period, General Fund
33 revenues will decline substantially below the estimate of General
34 Fund revenues upon which the budget bill for that fiscal year or
35 two-year fiscal period, as enacted, was based, or General Fund
36 expenditures will increase substantially above that estimate of
37 General Fund revenues, or both, the Governor may issue a
38 proclamation declaring a fiscal emergency and shall thereupon
39 cause the Legislature to assemble in special session for this
40 purpose. The proclamation shall identify the nature of the fiscal

1 emergency and shall be submitted by the Governor to the
2 Legislature, accompanied by proposed legislation to address the
3 fiscal emergency.

4 (2) If the Legislature fails to pass and send to the Governor a
5 bill or bills to address the fiscal emergency by the 45th day
6 following the issuance of the proclamation, the Legislature may
7 not act on any other bill until that bill or those bills have been
8 passed and sent to the Governor.

9 (3) A bill addressing the fiscal emergency declared pursuant to
10 this section shall contain a statement to that effect.

11 Ninth—That Section 12 of Article IV is amended to read:

12 SEC. 12. (a) Within the first 10 days of each calendar year,
13 the Governor shall submit to the Legislature, with an explanatory
14 message, a budget for the ensuing fiscal year containing itemized
15 statements for recommended state expenditures and estimated
16 state revenues. If recommended expenditures exceed estimated
17 revenues, the Governor shall recommend the sources from which
18 the additional revenues should be provided.

19 (b) The Governor and the Governor-elect may require a state
20 agency, officer, or employee to furnish whatever information is
21 deemed necessary to prepare the budget.

22 (c) (1) The budget shall be accompanied by a budget bill
23 itemizing recommended expenditures.

24 (2) The budget bill shall be introduced immediately in each
25 house by the persons chairing the committees that consider the
26 budget.

27 (3) The Legislature shall pass the budget bill by midnight on
28 June 15 of each year.

29 (4) Until the budget bill has been enacted, the Legislature shall
30 not send to the Governor for consideration any bill appropriating
31 funds for expenditure during the fiscal year for which the budget
32 bill is to be enacted, except emergency bills recommended by the
33 Governor or appropriations for the salaries and expenses of the
34 Legislature.

35 (d) No bill except the budget bill may contain more than one
36 item of appropriation, and that for one certain, expressed
37 purpose. Appropriations from the General Fund of the State,
38 except appropriations for the public schools, are void unless
39 passed in each house by rollcall vote entered in the journal,
40 two-thirds of the membership concurring

1 (e) The Legislature may control the submission, approval, and
2 enforcement of budgets and the filing of claims for all state
3 agencies.

4 (f) For the 2004-05 fiscal year, or any subsequent fiscal year,
5 the Legislature may not send to the Governor for consideration,
6 nor may the Governor sign into law, a budget bill that would
7 appropriate from the General Fund, for that fiscal year, a total
8 amount that, when combined with all appropriations from the
9 General Fund for that fiscal year made as of the date of the
10 budget bill's passage, and the amount of any General Fund
11 moneys transferred to the Budget Stabilization Account for that
12 fiscal year pursuant to Section 20 of Article XVI, exceeds
13 General Fund revenues for that fiscal year estimated as of the
14 date of the budget bill's passage. That estimate of General Fund
15 revenues shall be set forth in the budget bill passed by the
16 Legislature.

17 (g) *This section does not apply to the budget or budget bill for*
18 *any fiscal period commencing on or after July 1, 2007. This*
19 *section shall remain in effect until July 1, 2007, and as of that*
20 *date is repealed. Section 12 of Article IV, as added by the*
21 *measure that amended this section by adding this subdivision,*
22 *shall apply to the budget and budget bill for fiscal periods*
23 *commencing on or after July 1, 2007.*

24 Tenth—That Section 12 is added to Article IV, to read:

25 SEC. 12. (a) Within the first 10 days of each odd-numbered
26 year, the Governor shall submit to the Legislature, with an
27 explanatory message, a budget for the two-year fiscal period
28 commencing on July 1 of that odd-numbered year, containing
29 itemized statements for recommended state expenditures and
30 estimated state revenues. If recommended expenditures exceed
31 estimated revenues, the Governor shall recommend the sources
32 from which the additional revenues should be provided.

33 (b) The Governor and the Governor-elect may require a state
34 agency, officer, or employee to furnish whatever information is
35 deemed necessary to prepare the budget.

36 (c) (1) The budget shall be accompanied by a budget bill
37 itemizing recommended expenditures.

38 (2) The budget bill shall be introduced immediately in each
39 house by the persons chairing the committees that consider the
40 budget.

1 (3) The Legislature shall pass the budget bill by midnight on
2 June 15 of each odd-numbered year.

3 (4) Until the budget bill has been enacted, the Legislature shall
4 not send to the Governor for consideration any bill appropriating
5 funds for expenditure during the fiscal period for which the
6 budget bill is to be enacted, except emergency bills
7 recommended by the Governor or appropriations for the salaries
8 and expenses of the Legislature.

9 (d) No bill except the budget bill or a bill augmenting one or
10 more appropriations made in the enacted budget bill, may contain
11 more than one item of appropriation, and that for one certain,
12 expressed purpose. Appropriations from the General Fund of the
13 State, except appropriations for the public schools, are void
14 unless passed in each house by rollcall vote entered in the
15 journal, two-thirds of the membership concurring.

16 (e) The Legislature may control the submission, approval, and
17 enforcement of budgets and the filing of claims for all state
18 agencies.

19 (f) For the 2007–09 fiscal period or any subsequent two-year
20 fiscal period, the Legislature may not send to the Governor for
21 consideration, nor may the Governor sign into law, a budget bill
22 that would appropriate from the General Fund, for that fiscal
23 period, a total amount that, when combined with all
24 appropriations from the General Fund for that fiscal period made
25 as of the date of the budget bill’s passage, and the amount of any
26 General Fund moneys transferred to the Budget Stabilization
27 Account for that fiscal period pursuant to Section 20 of Article
28 XVI, exceeds General Fund revenues for that fiscal period
29 estimated as of the date of the budget bill’s passage. That
30 estimate of General Fund revenues shall be set forth in the budget
31 bill passed by the Legislature.

32 Eleventh—That Section 1 of Article XIII B is amended to
33 read:

34 SEC. 1. (a) The total annual appropriations subject to
35 limitation of the State and of each local government shall not
36 exceed the appropriations limit of the entity of government for
37 the prior year adjusted for the change in the cost of living and the
38 change in population, except as otherwise provided in this article.

39 (b) *This section does not apply to any fiscal period or fiscal*
40 *year commencing on or after July 1, 2007. This section shall*

1 *remain in effect until July 1, 2007, and as of that date is*
2 *repealed. Section 1 of Article XIII B, as added by the measure*
3 *that amended this section by adding this subdivision, shall apply*
4 *to fiscal periods and fiscal years commencing on or after July 1,*
5 *2007.*

6 Twelfth—That Section 1 is added to Article XIII B, to read:

7 SEC. 1. (a) The total appropriations subject to limitation of
8 the State for each two-year fiscal period, as specified in Section
9 12 of Article IV, shall not exceed the appropriations limit of the
10 State for the prior two-year fiscal period adjusted for the change
11 in the cost of living and the change in population, except as
12 otherwise provided in this article.

13 (b) The total annual appropriations subject to limitation of
14 each local government for each fiscal year shall not exceed the
15 appropriations limit of the local government for the prior fiscal
16 year adjusted for the change in the cost of living and the change
17 in population, except as otherwise provided in this article.

18 Thirteenth—That Section 2 of Article XIII B is amended to
19 read:

20 SEC. 2. (a) (1) Fifty percent of all revenues received by the
21 State in a fiscal year and in the fiscal year immediately following
22 it in excess of the amount ~~which~~ *that* may be appropriated by the
23 State in compliance with this article during that fiscal year and
24 the fiscal year immediately following it shall be transferred and
25 allocated, from a fund established for that purpose, pursuant to
26 Section 8.5 of Article XVI.

27 (2) Fifty percent of all revenues received by the State in a
28 fiscal year and in the fiscal year immediately following it in
29 excess of the amount ~~which~~ *that* may be appropriated by the
30 State in compliance with this article during that fiscal year and
31 the fiscal year immediately following it shall be returned by a
32 revision of tax rates or fee schedules within the ~~next~~ *subsequent*
33 ~~two-subsequent~~ fiscal years.

34 (b) All revenues received by an entity of government, other
35 than the State, in a fiscal year and in the fiscal year immediately
36 following it in excess of the amount ~~which~~ *that* may be
37 appropriated by the entity in compliance with this article during
38 that fiscal year and the fiscal year immediately following it shall
39 be returned by a revision of tax rates or fee schedules within the
40 ~~next subsequent~~ *two-subsequent* fiscal years.

(c) *This section does not apply to any fiscal period or fiscal year commencing on or after July 1, 2007. This section shall remain in effect until July 1, 2007, and as of that date is repealed. Section 2 of Article XIII B, as added by the measure that amended this section by adding this subdivision, shall apply to fiscal periods and fiscal years commencing on or after July 1, 2007.*

Fourteenth—That Section 2 is added to Article XIII B, to read:

SEC. 2. (a) (1) Fifty percent of all revenues received by the State in a two-year fiscal period in excess of the amount that may be appropriated by the State in compliance with this article during that period shall be transferred to and allocated from a fund established for that purpose, pursuant to Section 8.5 of Article XVI.

(2) Fifty percent of all revenues received by the State in a two-year fiscal period in excess of the amount that may be appropriated by the State in compliance with this article during that period shall be returned by a revision of tax rates or fee schedules within the subsequent fiscal period.

(b) All revenues received by an entity of government, other than the State, in a fiscal year and in the subsequent fiscal year in excess of the amount that may be appropriated by the entity in compliance with this article during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Fifteenth—That Section 3 of Article XIII B is amended to read:

SEC. 3. The appropriations limit for any fiscal year pursuant to ~~See: Section 1~~ shall be adjusted as follows:

(a) ~~In the event that~~ If the financial responsibility of providing services is transferred, in whole or in part, whether by annexation, incorporation, or otherwise, from one entity of government to another, then, for the year in which ~~such the~~ transfer becomes effective, the appropriations limit of the transferee entity shall be increased by such reasonable amount as the ~~said~~ affected entities shall mutually agree and the appropriations limit of the transferor entity shall be decreased by the same amount.

1 (b) ~~In the event that~~ If the financial responsibility of providing
2 services is transferred, in whole or in part, from an entity of
3 government to a private entity, or the financial source for the
4 provision of services is transferred, in whole or in part, from
5 other revenues of an entity of government; to regulatory licenses,
6 user charges, or user fees, then, for the year of ~~such~~ that transfer,
7 the appropriations limit of ~~such~~ the affected entity of government
8 shall be decreased accordingly.

9 (c) (1) ~~In the event~~ If an emergency is declared by the
10 legislative body of an entity of government, the appropriations
11 limit of the affected entity of government may be exceeded,
12 provided that the appropriations limits in the following three
13 years are reduced accordingly to prevent an aggregate increase in
14 appropriations resulting from the emergency.

15 (2) ~~In the event~~ If an emergency is declared by the Governor,
16 appropriations approved by a two-thirds vote of the legislative
17 body of an affected entity of government to an emergency
18 account for expenditures relating to that emergency ~~shall~~ do not
19 constitute appropriations subject to limitation. As used in this
20 paragraph, “emergency” means the existence, as declared by the
21 Governor, of conditions of disaster or of extreme peril to the
22 safety of persons and property within the State, or parts thereof,
23 caused by such conditions as attack or probable or imminent
24 attack by an enemy of the United States, fire, flood, drought,
25 storm, civil disorder, earthquake, or volcanic eruption.

26 (d) *This section does not apply to any fiscal period or fiscal*
27 *year commencing on or after July 1, 2007. This section shall*
28 *remain in effect until July 1, 2007, and as of that date is*
29 *repealed. Section 3 of Article XIII B, as added by the measure*
30 *that amended this section by adding this subdivision, shall apply*
31 *to fiscal periods and fiscal years commencing on or after July 1,*
32 *2007.*

33 Sixteenth—That Section 3 is added to Article XIII B, to read:

34 SEC. 3. The appropriations limit for any two-year fiscal
35 period, in the case of the State, or for any one fiscal year, in the
36 case of local government, pursuant to Section 1 shall be adjusted
37 as follows:

38 (a) If the financial responsibility of providing services is
39 transferred, in whole or in part, whether by annexation,
40 incorporation, or otherwise, from one entity of government to

1 another, then, for the fiscal period or fiscal year in which the
2 transfer becomes effective, the appropriations limit of the
3 transferee entity shall be increased by such reasonable amount as
4 the affected entities shall mutually agree and the appropriations
5 limit of the transferor entity shall be decreased by the same
6 amount.

7 (b) If the financial responsibility of providing services is
8 transferred, in whole or in part, from an entity of government to a
9 private entity, or the financial source for the provision of services
10 is transferred, in whole or in part, from other revenues of an
11 entity of government to regulatory licenses, user charges, or user
12 fees, then, for the fiscal period or fiscal year of that transfer, the
13 appropriations limit of the affected entity of government shall be
14 decreased accordingly.

15 (c) (1) If an emergency is declared by the legislative body of
16 an entity of government, the appropriations limit of the affected
17 entity of government may be exceeded, provided that the
18 appropriations limits in the following two fiscal periods, in the
19 case of the State, or the following three fiscal years, in the case of
20 local government, are reduced accordingly to prevent an
21 aggregate increase in appropriations resulting from the
22 emergency.

23 (2) If an emergency is declared by the Governor,
24 appropriations approved by a two-thirds vote of the legislative
25 body of an affected entity of government to an emergency
26 account for expenditures relating to that emergency do not
27 constitute appropriations subject to limitation. As used in this
28 paragraph, “emergency” means the existence, as declared by the
29 Governor, of conditions of disaster or of extreme peril to the
30 safety of persons and property within the State, or parts thereof,
31 caused by such conditions as attack or probable or imminent
32 attack by an enemy of the United States, fire, flood, drought,
33 storm, civil disorder, earthquake, or volcanic eruption.

34 Seventeenth—That Section 6 of Article XIII B thereof is
35 amended to read:

36 SEC. 6. (a) Whenever the Legislature or any state agency
37 mandates a new program or higher level of service on any local
38 government, the State shall provide a subvention of funds to
39 reimburse that local government for the costs of the program or
40 increased level of service, except that the Legislature may, but

1 need not, provide a subvention of funds for the following
2 mandates:

3 (1) Legislative mandates requested by the local agency
4 affected.

5 (2) Legislation defining a new crime or changing an existing
6 definition of a crime.

7 (3) Legislative mandates enacted prior to January 1, 1975, or
8 executive orders or regulations initially implementing legislation
9 enacted prior to January 1, 1975.

10 (b) (1) Except as provided in paragraph (2), for the 2005–06
11 *and 2006–07 fiscal year, and for the 2007–09 fiscal period* and
12 every subsequent *two-year fiscal-year period*, for a mandate for
13 which the costs of a local government claimant have been
14 determined in a preceding fiscal year *or fiscal period, as*
15 *applicable*, to be payable by the State pursuant to law, the
16 Legislature shall either appropriate, in the ~~annual Budget Act~~
17 *budget act*, the full payable amount that has not been previously
18 paid, or suspend the operation of the mandate for the fiscal year
19 *or fiscal period* for which the ~~annual Budget Act~~ *budget act* is
20 applicable in a manner prescribed by law.

21 (2) Payable claims for costs incurred prior to the 2004–05
22 fiscal year that have not been paid prior to the 2005–06 fiscal
23 year may be paid over a term of years, as prescribed by law.

24 (3) Ad valorem property tax revenues shall not be used to
25 reimburse a local government for the costs of a new program or
26 higher level of service.

27 (4) This subdivision applies to a mandate only as it affects a
28 city, county, city and county, or special district.

29 (5) This subdivision shall not apply to a requirement to
30 provide or recognize any procedural or substantive protection,
31 right, benefit, or employment status of any local government
32 employee or retiree, or of any local government employee
33 organization, that arises from, affects, or directly relates to future,
34 current, or past local government employment and that
35 constitutes a mandate subject to this section.

36 (c) A mandated new program or higher level of service
37 includes a transfer by the Legislature from the State to cities,
38 counties, cities and counties, or special districts of complete or
39 partial financial responsibility for a required program for which

1 the State previously had complete or partial financial
2 responsibility.

3 Eighteenth—That Section 8 of Article XIII B is amended to
4 read:

5 SEC. 8. As used in this article and except as otherwise
6 expressly provided herein:

7 (a) “Appropriations subject to limitation” of the State means
8 any authorization to expend during a fiscal year the proceeds of
9 taxes levied by or for the State, exclusive of state subventions for
10 the use and operation of local government—~~(other, other than~~
11 ~~subventions made pursuant to Section-6) 6~~, and further exclusive
12 of refunds of taxes, benefit payments from retirement,
13 unemployment insurance, and disability insurance funds.

14 (b) “Appropriations subject to limitation” of an entity of local
15 government means any authorization to expend during—a *one*
16 fiscal year the proceeds of taxes levied by or for that entity and
17 the proceeds of state subventions to that entity—~~(other, other than~~
18 ~~subventions made pursuant to Section-6) 6~~, exclusive of refunds
19 of taxes.

20 (c) “Proceeds of taxes”—~~shall include~~ *includes*, but *is not be*
21 restricted to, all tax revenues and the proceeds to an entity of
22 government; from (1) regulatory licenses, user charges, and user
23 fees to the extent that those proceeds exceed the costs reasonably
24 borne by that entity in providing the regulation, product, or
25 service, and (2) the investment of tax revenues. With respect to
26 any local government, “proceeds of taxes”—~~shall include~~ *includes*
27 subventions received from the State, other than *subventions*
28 *received* pursuant to Section 6, and, with respect to the State,
29 proceeds of taxes—~~shall exclude such~~ *excludes those* subventions.

30 (d) “Local government” means any city, county, city and
31 county, school district, special district, authority, or other
32 political subdivision of or within the State.

33 (e) (1) “Change in the cost of living” for the State, a school
34 district, or a community college district means the percentage
35 change in California per capita personal income from the
36 preceding year.

37 (2) “Change in the cost of living” for an entity of local
38 government, other than a school district or a community college
39 district, shall be either (A) the percentage change in California
40 per capita personal income from the preceding year, or (B) the

1 percentage change in the local assessment roll from the preceding
2 year for the jurisdiction due to the addition of local
3 nonresidential new construction. Each entity of local government
4 shall select its change in the cost of living pursuant to this
5 paragraph annually by a recorded vote of the entity's governing
6 body.

7 (f) "Change in population" of any entity of government, other
8 than the State, a school district, or a community college district,
9 shall be determined by a method prescribed by the Legislature.

10 "Change in population" of a school district or a community
11 college district ~~shall be~~ *means* the percentage change in the
12 average daily attendance of the school district or *the number of*
13 *full-time equivalent students of the* community college district
14 from the preceding fiscal year, as determined by a method
15 prescribed by the Legislature.

16 "Change in population" of the State shall be determined by
17 adding (1) the percentage change in the State's population
18 multiplied by the percentage of the State's budget in the prior
19 fiscal year that is expended for other than educational purposes
20 for kindergarten and grades one to 12, inclusive, and the
21 community colleges, and (2) the percentage change in the total
22 statewide average daily attendance in kindergarten and grades
23 one to 12, inclusive, and the *number of full-time equivalent*
24 *students in the* community colleges, multiplied by the percentage
25 of the State's budget in the prior fiscal year that is expended for
26 educational purposes for kindergarten and grades one to 12,
27 inclusive, and the community colleges.

28 Any determination of population pursuant to this subdivision,
29 other than that measured by average daily attendance *or the*
30 *number of full-time equivalent students*, shall be revised, as
31 necessary, to reflect the periodic census conducted by the United
32 States Department of Commerce, or successor department.

33 (g) "Debt service" means appropriations required to pay the
34 cost of interest and redemption charges, including the funding of
35 any reserve or sinking fund required in connection therewith, on
36 indebtedness existing or legally authorized as of January 1, 1979,
37 or on bonded indebtedness thereafter approved according to law
38 by a vote of the electors of the issuing entity voting in an election
39 for that purpose.

(h) The “appropriations limit” of each entity of government for each fiscal year is that amount—~~which~~ *that* total annual appropriations subject to limitation may not exceed under Sections 1 and 3. However, the “appropriations limit” of each entity of government for *the 1978–79* fiscal year—~~1978–79~~ is the total of the appropriations subject to limitation of the entity for that fiscal year. For *the 1978–79* fiscal year—~~1978–79~~, state subventions to local governments, exclusive of federal grants, are deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, “appropriations subject to limitation” do not include local agency loan funds or indebtedness funds, *or* investment—~~(or, or~~ *or* authorizations to invest) *invest*, funds of the State; or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

(j) *This section does not apply to any fiscal period or fiscal year commencing on or after July 1, 2007. This section shall remain in effect until July 1, 2007, and as of that date is repealed. Section 8 of Article XIII B, as added by the measure that amended this section by adding this subdivision, shall apply to fiscal periods and fiscal years commencing on or after July 1, 2007.*

Nineteenth—That Section 8 is added to Article XIII B, to read:
SEC. 8. As used in this article, and except as otherwise expressly provided herein:

(a) “Appropriations subject to limitation” of the State means any authorization to expend during a two-year fiscal period the proceeds of taxes levied by or for the State, exclusive of state subventions for the use and operation of local government, other than subventions made pursuant to Section 6, and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds.

(b) “Appropriations subject to limitation” of an entity of local government means any authorization to expend during any one fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity, other than subventions made pursuant to Section 6, exclusive of refunds of taxes.

(c) “Proceeds of taxes” includes, but is not restricted to, all tax revenues and the proceeds to an entity of government from (1)

1 regulatory licenses, user charges, and user fees to the extent that
2 those proceeds exceed the costs reasonably borne by that entity
3 in providing the regulation, product, or service and (2) the
4 investment of tax revenues. With respect to any local
5 government, “proceeds of taxes” includes subventions received
6 from the State other than subventions received pursuant to
7 Section 6, and, with respect to the State, proceeds of taxes shall
8 exclude these subventions.

9 (d) “Local government” means any city, county, city and
10 county, school district, special district, authority, or other
11 political subdivision of or within the State.

12 (e) (1) “Change in the cost of living” for the State, a school
13 district, or a community college district means the percentage
14 change in California per capita personal income from the
15 preceding two-year fiscal period, in the case of the State, or one
16 fiscal year, in the case of a school district or community college
17 district.

18 (2) “Change in the cost of living” for an entity of local
19 government, other than a school district or a community college
20 district, shall be either (A) the percentage change in California
21 per capita personal income from the preceding year or (B) the
22 percentage change in the local assessment roll from the preceding
23 year for the jurisdiction due to the addition of local
24 nonresidential new construction. Each entity of local government
25 shall select its change in the cost of living pursuant to this
26 paragraph annually by a recorded vote of the entity’s governing
27 body.

28 (f) “Change in population” of any entity of government, other
29 than the State, a school district, or a community college district,
30 shall be determined by a method prescribed by the Legislature.

31 “Change in population” of a school district or a community
32 college district means the percentage change in the average daily
33 attendance of the school district or the number of full-time
34 equivalent students of the community college district from the
35 preceding fiscal year, as determined by a method prescribed by
36 the Legislature.

37 “Change in population” of the State shall be determined by
38 adding (1) the percentage change in the State’s population
39 multiplied by the percentage of the State’s budget in the prior
40 two-year fiscal period expended for other than educational

1 purposes for kindergarten and grades one to 12, inclusive, and
2 the community colleges, and (2) the percentage change in the
3 total statewide average daily attendance in kindergarten and
4 grades one to 12, inclusive, and the number of full-time
5 equivalent students in the community colleges, multiplied by the
6 percentage of the State's budget in the prior two-year fiscal
7 period expended for educational purposes for kindergarten and
8 grades one to 12, inclusive, and the community colleges.

9 Any determination of population pursuant to this subdivision,
10 other than that measured by average daily attendance or the
11 number of full-time equivalent students, shall be revised, as
12 necessary, to reflect the periodic census conducted by the United
13 States Department of Commerce or successor department.

14 (g) "Debt service" means appropriations required to pay the
15 cost of interest and redemption charges, including the funding of
16 any reserve or sinking fund required in connection therewith, on
17 indebtedness existing or legally authorized as of January 1, 1979,
18 or on bonded indebtedness thereafter approved according to law
19 by a vote of the electors of the issuing entity voting in an election
20 for that purpose.

21 (h) The "appropriations limit" of each entity of government
22 for each respective fiscal period or fiscal year, as appropriate, is
23 that amount that the total appropriations subject to limitation may
24 not exceed under Sections 1 and 3. However, the "appropriations
25 limit" of each entity of government for the 1978–79 fiscal year is
26 the total of the appropriations subject to limitation of the entity
27 for that fiscal year. For the 1978–79 fiscal year, state subventions
28 to local governments, exclusive of federal grants, are deemed to
29 have been derived from the proceeds of state taxes.

30 (i) Except as otherwise provided in Section 5, "appropriations
31 subject to limitation" do not include local agency loan funds or
32 indebtedness funds, or investment, or authorizations to invest,
33 funds of the State or of an entity of local government in accounts
34 at banks or savings and loan associations or in liquid securities.

35 Twentieth—That Section 10.5 of Article XIII B is amended to
36 read:

37 SEC. 10.5. (a) For fiscal years beginning on or after July 1,
38 1990, the appropriations limit of each entity of government shall
39 be the appropriations limit for the 1986–87 fiscal year, adjusted
40 for the changes made from that fiscal year pursuant to this article,

1 as amended by the measure adding this section, adjusted for the
2 changes required by Section 3.

3 *(b) In the case of the State, beginning with the two-year fiscal*
4 *period commencing on July 1, 2007, the appropriations limit*
5 *shall be the aggregate of the appropriations limits for the*
6 *2005–06 and 2006–07 fiscal years, adjusted for the changes*
7 *made pursuant to this article and adjusted for the changes*
8 *required by Section 3.*

9 Twenty-First—That Section 14 is added to Article XIII B
10 thereof, to read:

11 SEC. 14. State subventions provided during a fiscal period
12 commencing on or after July 1, 2007, to an entity of local
13 government shall be applied to an appropriate fiscal year, as
14 specified by statute, for purposes of determining appropriations
15 subject to limitation for that entity.

16 Twenty-Second—That Section 8 of Article XVI is amended to
17 read:

18 SEC. 8. (a) From all state revenues there shall first be set
19 apart the moneys to be applied by the State for support of the
20 public school system and public institutions of higher education.

21 (b) Commencing with the 1990–91 fiscal year, the moneys to
22 be applied by the State for the support of school districts and
23 community college districts shall be not less than the greater of
24 the following amounts:

25 (1) The amount ~~which~~ *that*, as a percentage of General Fund
26 revenues ~~which~~ *that* may be appropriated pursuant to Article
27 XIII B, equals the percentage of General Fund revenues
28 appropriated for school districts and community college districts,
29 respectively, in *the 1986–87 fiscal year* ~~1986–87~~.

30 (2) The amount required to ensure that the total allocations to
31 school districts and community college districts from General
32 Fund proceeds of taxes appropriated pursuant to Article XIII B
33 and allocated local proceeds of taxes shall not be less than the
34 total amount from these sources in the prior fiscal year, excluding
35 any revenues allocated pursuant to subdivision (a) of Section 8.5,
36 adjusted for changes in enrollment and adjusted for the change in
37 the cost of living pursuant to paragraph (1) of subdivision (e) of
38 Section 8 of Article XIII B. This paragraph shall be operative
39 only in a fiscal year in which the percentage growth in California
40 per capita personal income is less than or equal to the percentage

1 growth in per capita General Fund revenues plus ~~one-half~~
2 ~~one-half~~ of ~~one~~ 1 percent.

3 (3) (A) The amount required to ensure that the total
4 allocations to school districts and community college districts
5 from General Fund proceeds of taxes appropriated pursuant to
6 Article XIII B and allocated local proceeds of taxes shall equal
7 the total amount from these sources in the prior fiscal year,
8 excluding any revenues allocated pursuant to subdivision (a) of
9 Section 8.5, adjusted for changes in enrollment and adjusted for
10 the change in per capita General Fund revenues.

11 (B) In addition, an amount equal to one-half of ~~one~~ 1 percent
12 times the prior year total allocations to school districts and
13 community colleges from General Fund proceeds of taxes
14 appropriated pursuant to Article XIII B and allocated local
15 proceeds of taxes, excluding any revenues allocated pursuant to
16 subdivision (a) of Section 8.5, adjusted for changes in
17 enrollment.

18 (C) This paragraph ~~(3)~~ shall be operative only in a fiscal year
19 in which the percentage growth in California per capita personal
20 income in a fiscal year is greater than the percentage growth in
21 per capita General Fund revenues plus ~~one-half~~ ~~one-half~~ of ~~one~~ 1
22 percent.

23 (c) In any fiscal year, if the amount computed pursuant to
24 paragraph (1) of subdivision (b) exceeds the amount computed
25 pursuant to paragraph (2) of subdivision (b) by a difference that
26 exceeds ~~one and one-half~~ $1\frac{1}{2}$ percent of General Fund revenues,
27 the amount in excess of ~~one and one-half~~ $1\frac{1}{2}$ percent of General
28 Fund revenues shall not be considered allocations to school
29 districts and community colleges *college districts* for purposes of
30 computing the amount of state aid pursuant to paragraph (2) or
31 3(3) of subdivision (b) in the subsequent fiscal year.

32 (d) In any fiscal year in which school districts and community
33 college districts are allocated funding pursuant to paragraph (3)
34 of subdivision (b) or pursuant to subdivision ~~(h)~~ (g), they shall be
35 entitled to a maintenance factor, equal to the difference between
36 (1) the amount of General Fund moneys ~~which~~ *that* would have
37 been appropriated pursuant to paragraph (2) of subdivision (b) if
38 that paragraph had been operative or the amount of General Fund
39 moneys ~~which~~ *that* would have been appropriated pursuant to
40 subdivision (b) had subdivision (b) not been suspended; and (2)

1 the amount of General Fund moneys actually appropriated to
2 school districts and community college districts in that fiscal
3 year.

4 (e) The maintenance factor for school districts and community
5 college districts determined pursuant to subdivision (d) shall be
6 adjusted annually for changes in enrollment, and adjusted for the
7 change in the cost of living pursuant to paragraph (1) of
8 subdivision (e) of Section 8 of Article XIII B, until it has been
9 allocated in full. The maintenance factor shall be allocated in a
10 manner determined by the Legislature in each fiscal year in
11 which the percentage growth in per capita General Fund revenues
12 exceeds the percentage growth in California per capita personal
13 income. The maintenance factor shall be reduced each *fiscal* year
14 by the amount allocated by the Legislature in that fiscal year. The
15 minimum maintenance factor amount to be allocated in a fiscal
16 year shall be equal to the product of General Fund revenues from
17 proceeds of taxes and one-half of the difference between the
18 percentage growth in per capita General Fund revenues from
19 proceeds of taxes and in California per capita personal income,
20 not to exceed the total dollar amount of the maintenance factor.

21 (f) For purposes of this section, “changes in enrollment” shall
22 be measured by the percentage change in average daily
23 attendance. However, in any fiscal year, there shall be no
24 adjustment for decreases in enrollment between the prior fiscal
25 year and the current fiscal year unless there have been decreases
26 in enrollment between the second prior fiscal year and the prior
27 fiscal year and between the third prior fiscal year and the second
28 prior fiscal year.

29 ~~(h)~~

30 (g) Subparagraph (B) of paragraph (3) of subdivision (b) may
31 be suspended for one year only when made part of or included
32 within any bill enacted pursuant to Section 12 of Article IV. All
33 other provisions of subdivision (b) may be suspended for one
34 *fiscal* year by the enactment of an urgency statute pursuant to
35 Section 8 of Article IV, provided that the urgency statute may not
36 be made part of or included within any bill enacted pursuant to
37 Section 12 of Article IV.

38 (h) *For the fiscal period commencing July 1, 2007, and for*
39 *each subsequent fiscal period, “fiscal year,” as used in this*
40 *section, is deemed to refer to a two-year fiscal period, as*

1 *described in subdivision (a) of Section 12 of Article IV, except*
2 *that, for purposes of the fiscal period commencing July 1, 2007,*
3 *“prior fiscal year,” as used in paragraph (2), subparagraphs (A)*
4 *and (B) of paragraph (3) of subdivision (b), and subdivision (f),*
5 *is deemed to refer to, collectively, the 2005–06 and 2006–07*
6 *fiscal years.*

7 Twenty-Third—That Section 8.5 of Article XVI is amended to
8 read:

9 SEC. 8.5. (a) In addition to the amount required to be applied
10 for the support of school districts and community college districts
11 pursuant to Section 8, ~~the Controller shall~~ during each fiscal year
12 *the Controller shall* transfer and allocate all revenues available
13 pursuant to paragraph ~~4~~ (1) of subdivision (a) of Section 2 of
14 Article XIII B to that portion of the State School Fund restricted
15 for elementary and high school purposes, and to that portion of
16 the State School Fund restricted for community college purposes,
17 respectively, in proportion to the enrollment in school districts
18 and community college districts respectively.

19 (1) With respect to funds allocated to that portion of the State
20 School Fund restricted for elementary and high school purposes,
21 no transfer or allocation of funds pursuant to this section shall be
22 required at any time that the Director of Finance and the
23 Superintendent of Public Instruction mutually determine that
24 current annual expenditures per student equal or exceed the
25 average annual expenditure per student of the 10 states with the
26 highest annual expenditures per student for elementary and high
27 schools, and that average class size equals or is less than the
28 average class size of the 10 states with the lowest class size for
29 elementary and high schools.

30 (2) With respect to funds allocated to that portion of the State
31 School Fund restricted for community college purposes, no
32 transfer or allocation of funds pursuant to this section shall be
33 required at any time that the Director of Finance and the
34 Chancellor of the California Community Colleges mutually
35 determine that current annual expenditures per student for
36 community colleges in this State equal or exceed the average
37 annual expenditure per student of the 10 states with the highest
38 annual expenditures per student for community colleges.

1 (b) Notwithstanding ~~the provisions of~~ Article XIII B, funds
2 allocated pursuant to this section ~~shall do~~ not constitute
3 appropriations subject to limitation.

4 (c) From any funds transferred to the State School Fund
5 pursuant to subdivision (a), the Controller shall, each *fiscal* year,
6 allocate to each school district and community college district an
7 equal amount per enrollment in school districts from the amount
8 in that portion of the State School Fund restricted for elementary
9 and high school purposes and an equal amount per enrollment in
10 community college districts from that portion of the State School
11 Fund restricted for community college purposes.

12 (d) All revenues allocated pursuant to subdivision (a) shall be
13 expended solely for the purposes of instructional improvement
14 and accountability as required by law.

15 (e) Any school district maintaining an elementary or
16 secondary school shall develop and cause to be prepared an
17 annual audit accounting for ~~such funds revenue received~~
18 *pursuant to this section*, and shall adopt a School Accountability
19 Report Card for each school.

20 (f) *For the fiscal period commencing July 1, 2007, and for*
21 *each subsequent fiscal period, "fiscal year," as used in this*
22 *section, is deemed to refer to a two-year fiscal period as*
23 *described in subdivision (a) of Section 12 of Article IV.*

24 Twenty-Fourth—That Section 20 of Article XVI thereof is
25 amended to read:

26 SEC. 20. (a) The Budget Stabilization Account is hereby
27 created in the General Fund.

28 (b) In each *fiscal year or fiscal period* as specified in
29 paragraphs (1) to (3), inclusive, the Controller shall transfer from
30 the General Fund to the Budget Stabilization Account the
31 following amounts:

32 (1) No later than September 30, 2006, a sum equal to 1 percent
33 of the estimated amount of General Fund revenues for the
34 2006–07 fiscal year.

35 (2) No later than September 30, 2007, a sum equal to ~~2~~ 2.5
36 percent of the estimated amount of General Fund revenues for
37 ~~the 2007–08~~ 2007–09 ~~fiscal year~~ *fiscal period*.

38 (3) No later than September 30, ~~2008~~ 2009, and ~~annually by~~
39 *September 30 of each odd-numbered year* thereafter, a sum equal

1 to 3 percent of the estimated amount of General Fund revenues
2 for the current fiscal-year *period*.

3 (c) The transfer of moneys shall not be required by subdivision
4 (b) in any fiscal-year *period* to the extent that the resulting
5 balance in the account would exceed 5 percent of the General
6 Fund revenues estimate set forth, *pursuant to subdivision (f) of*
7 *Section 12 of Article IV*, in the budget bill for that fiscal-year
8 *period*, as enacted, or—~~eight~~ *sixteen* billion dollars
9 ~~(\$8,000,000,000)~~ *(\$16,000,000,000)*, whichever is greater. The
10 Legislature may, by statute, direct the Controller, for one or more
11 fiscal-years *periods*, to transfer into the account amounts in
12 excess of the levels prescribed by this subdivision.

13 (d) Subject to any restriction imposed by this section, funds
14 transferred to the Budget Stabilization Account shall be deemed
15 to be General Fund revenues for all purposes of this Constitution.

16 (e) The transfer of moneys from the General Fund to the
17 Budget Stabilization Account may be suspended or reduced for a
18 fiscal year *or fiscal period, as applicable*, as specified by an
19 executive order issued by the Governor no later than June 1 of
20 the *immediately* preceding fiscal year *or fiscal period*.

21 (f) (1) Of the moneys transferred to the account in each fiscal
22 year *or fiscal period*, 50 percent, up to the aggregate amount of
23 five billion dollars (\$5,000,000,000) for all fiscal years *or fiscal*
24 *periods*, shall be deposited in the Deficit Recovery Bond
25 Retirement Sinking Fund Subaccount, which is hereby created in
26 the account for the purpose of retiring deficit recovery bonds
27 authorized and issued as described in Section 1.3, in addition to
28 any other payments provided for by law for the purpose of
29 retiring those bonds. The moneys in the sinking fund subaccount
30 are continuously appropriated to the Treasurer to be expended for
31 that purpose in the amounts, at the times, and in the manner
32 deemed appropriate by the Treasurer. Any funds remaining in the
33 sinking fund subaccount after all of the deficit recovery bonds
34 are retired shall be transferred to the account, and may be
35 transferred to the General Fund pursuant to paragraph (2).

36 (2) All other funds transferred to the account in a fiscal year *or*
37 *fiscal period* shall not be deposited in the sinking fund

- 1 subaccount and may, by statute, be transferred to the General
- 2 Fund.

O